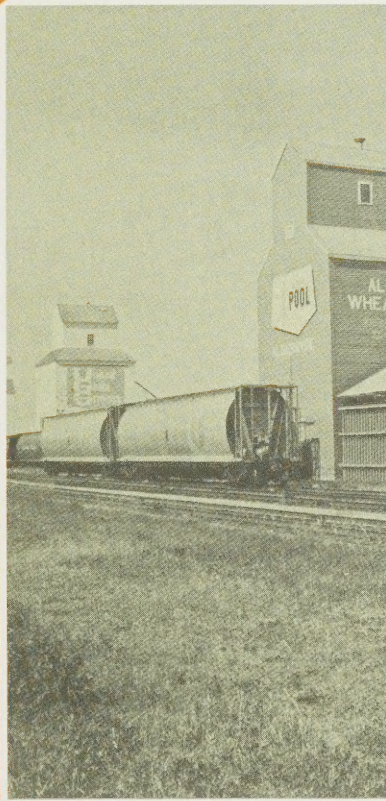



BEEF CATTLE AND HOG OUTLOOK

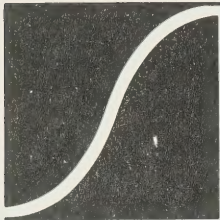
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BEEF CATTLE AND HOG OUTLOOK



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FOREWORD

This report on beef cattle and hogs is part of the Economics Branch program to inform the agricultural community about the current and prospective market outlook. The objective of outlook reports is to increase the ability of agriculture to make production and marketing decisions.

This issue is basically an updating of the report published last summer. A short article on the Agricultural Stabilization Act has been added. Another innovation is the inclusion of a summary of the outlook for both beef and hogs. A more comprehensive report is planned for the Canadian Agricultural Outlook Conference, which will be held in Ottawa December 15 and 16, 1975.

The continuing co-operation of Statistics Canada, the Department of Industry, Trade and Commerce and the Production and Marketing Branch of this department is much appreciated.

J.R. Burns,
Head, Outlook Co-ordination and Development,
Marketing and Trade Division,
Economics Branch,
Agriculture Canada.
October, 1975.

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BEEF SUMMARY

Canadian cattlemen are taking steps to bring an end to the expansion of beef herds which has occurred since 1969.

The imminent cattle shortage will be the result of a heavy slaughter of breeding animals in late 1974 and throughout 1975, a trend expected to continue into 1976. Cows and heifers are being shipped to the slaughterhouse by producers hard hit by low calf prices during this period of beef surplus. This reduction in the breeding herd will mean a smaller calf crop beginning probably in 1976.

Cattle slaughter in the final quarter of 1975 is expected to be eight to ten percent above that of the corresponding period in 1974. Prices for A1 and A2 steers at Toronto will likely fall below the mid-September average of \$51 per cwt. The average price in the last quarter of 1974 was \$51.39 per cwt. This increased slaughter will continue into 1976 resulting in a further weakening of prices.

Cattle slaughter in Canada to date in 1975 is up 13 percent over the 1974 level but the output of carcass beef is up only nine percent. The smaller increase in carcass output is due to a lower average carcass weight generated by the heavy slaughter of females and grass-fed animals. This has helped moderate the price-depressing effects of increased slaughter.

The composition of cattle slaughter changed significantly in the first nine months of 1975 with steer slaughter down 4.4 percent, and cow, heifer and calf slaughter up 35, 42 and 85 percent. The pattern was similar in the U.S. where steer slaughter was down five percent, and cow, heifer and calf slaughter up 53, 15 and 77 percent.

The sharp increase in calf slaughter reflects the marketing of calves as veal, a more attractive market outlet for producers than that of feeding the animals to heavier weights and experiencing low prices. Feedlot operators, hard pressed by high feed costs, have shown a cautious demand for calves. Calf prices will continue low this fall because of the record calf crop born in the spring of 1975. Fewer top-grade slaughter cattle will come to market in the next year because of the high calf slaughter.

Lower feed costs that would have injected some optimism into the feedlot sector are not expected to materialize because of the recent strengthening of grain prices. Good late fall pastures will prevent unusually heavy marketings of unfinished animals. A heavy corn crop in Ontario plus the wide positive margin between feeder and fed cattle prices will help feedlots whose operations are based on home-grown silage.

Canadian fed cattle prices will follow the U.S. lead where there was an increase in feedlot placements in the April-June period and in August and September. Live cattle prices in the two countries are similar and this pattern is expected to continue.

Consumer resistance to high pork prices has improved the demand for beef. Per capita beef consumption in 1975 is likely to exceed 100 pounds for the first time in history. Much of the increased consumption is of grades B to E because the heavy marketings of females and unfinished animals have increased their share of the total slaughter supply.

BEEF

In Canada, the market prices of all classes of slaughter and feeder cattle in the January-September period of 1975 averaged below the same period the previous year. Prices of A1, A2 steers at Toronto dropped about \$8 per cwt. from January to the March low of \$39.94, but by June had made a strong recovery to the \$50 level. By August fed cattle prices again weakened by nearly \$3 per cwt. but by mid-September were back in the \$51 range. Summer price strength for slaughter cows and heavy feeder cattle was followed by price weakness from August to mid-September. By late September feeder cattle prices had strengthened.

1975 SLAUGHTER SHARPLY ABOVE 1974

Cattle slaughter in Canada in the first nine months of 1975 was 13 percent above year-earlier levels while U.S. slaughter was up 11 percent (Table 1). This increase continues the trend begun in 1974 when slaughter in Canada and the U.S. was four and nine percent above 1973 levels.

TABLE 1. FEDERALLY-INSPECTED CATTLE SLAUGHTER, CANADA^{a/} AND U.S.A.

	1974 (Annual)		1975 (January-Sept. end)	
	Slaughter 000 Head	% Change from 1973	Slaughter 000 Head	% Change from same period 1974
British Columbia	57.6	+25	49.7	+36.4
Alberta	1,135.7	+ 2	996.2	+21.5
Saskatchewan	171.1	+ 6	119.4	- 5.9
Manitoba	455.5	+ 5	369.7	+10.7
WEST	1,819.9	+ 4	1,535.0	+16.5
Ontario	1,021.5	+ 6	813.8	+ 5.0
Quebec	165.7	--	139.0	+20.3
Maritimes	37.6	- 1	37.3	+41.7
EAST	1,224.8	+ 5	990.1	+ 8.0
CANADA	3,044.7	+ 4	2,525.1	13.0
UNITED STATES	33,318.9	+ 9	26,886.0	10.7
NORTH AMERICA	36,363.6	+ 9	29,411.1	10.9

^{a/} Gradings in federally- and provincially-inspected plants.

While inspected cattle slaughter in 1975 increased at the rates shown, carcass beef output to the end of August increased to a lesser extent, about nine percent in Canada and only about three percent in the U.S. United States cattle slaughter in July this year was the third highest monthly total on record, up 10 percent from July 1974, but actual beef output was slightly below year-ago levels. Through 1975, slaughter has continued to include fewer fed cattle and more females in both countries. The cattle industry has benefitted from lower weights in that large numbers have been slaughtered with less price-depressing effects than would have been the case at higher weights.

In both Canada and the U.S., the rate of increase in cattle slaughter in 1975 has been strongly influenced by the pattern in 1974 when slaughter rose in a rather unusual pattern, rising from quarter to quarter throughout the year. In Canada, first- and second-half slaughter in 1974 was up two and six percent, respectively, from similar periods in 1973. In the U.S., the increase in 1974 was three percent in the first half and 15 percent in the second half compared with year-earlier levels. Thus, the first substantial increase in slaughter in this cattle cycle began during the second half of 1974.

Inspected calf slaughter in Canada is also well above that of last year -- up nearly 85 percent or 220 thousand head through to September end compared with the same period in 1974. In the U.S. calf slaughter is up 77 percent or over 1.2 million head.

FEMALE SLAUGHTER REMAINS LARGE

Significant changes have occurred in the composition of cattle slaughter in Canada beginning in September 1974 when female slaughter rose above year-earlier levels. In the January-August period of 1975, steer slaughter was down 4.4 percent but heifer and cow slaughter jumped 42 and 35 percent, respectively (Table 2). Female slaughter increased to a greater extent in the West than in the East. For the month of September preliminary data on sex kill indicate the following percentage changes from September 1974: steers +11, heifers +24, cows +36, bulls -24 and total +18.

TABLE 2. COMPOSITION OF FEDERALLY-INSPECTED CATTLE SLAUGHTER, JANUARY-AUGUST 1975, COMPARED WITH SAME PERIOD IN 1974.

	EAST		WEST		CANADA	
	1975	Change from 1974	1975	Change from 1974	1975	Change from 1974
	No.	%	No.	%	No.	%
Steers	428,022	- 8.6	653,925	- 1.4	1,081,947	- 4.4
Heifers	189,376	+32.5	358,874	+47.8	548,250	+42.1
Cows	177,369	+28.4	251,173	+39.6	428,542	+34.7
Bulls	21,466	+ 6.5	20,696	- 2.6	42,126	+ 1.8
Total	816,233	+ 6.1	1,284,668	+16.0	2,100,901	+11.9

In the U.S., cow slaughter has been averaging about 50 percent above 1974 but heifer slaughter is up only 15 percent. Steer slaughter, as in Canada, is down about five percent. In both countries, the decreases in steer slaughter may well reflect the rapid rise in calf slaughter since 1974 together with a relatively slower inventory turnover of steers as related to the decrease in feedlot activity. Steer slaughter in Canada, however, rose sharply in September.

While steer slaughter in both countries has decreased, the increase in Canada's heifer slaughter has been substantially greater than that in the U.S. On the other hand, the rate of increase in U.S. cow slaughter has been much greater than in Canada.

The sex make-up of cattle slaughtered underlies the variation in cattle grades. The A grade, which accounts for the greatest share of Canada's total slaughter was up 6.7 percent to September 1975 with most of the increase occurring in Western Canada (Table 3). The increase in the total of all other grades (B to E) was 28.5 percent due to the sharp increase in female slaughter.

TABLE 3. CLASSIFICATION OF CATTLE GRADED UNDER FEDERAL INSPECTION, JANUARY-SEPTEMBER END 1975, COMPARED WITH SAME PERIOD IN 1974

	EAST		WEST		CANADA	
	1975	Change from 1974	1975	Change from 1974	1975	Change from 1974
	No.	%	No.	%	No.	%
Total A Grade	620,911	- 0.3	1,075,976	+ 10.9	1,696,887	+ 6.7
Total B to E						
Grades	369,230	+24.1	459,024	+32.2	828,254	+28.7
Total All Grades	990,141	+ 8.0	1,535,000	+16.5	2,525,141	+13.0

The increases in cow and non-fed beef slaughter in 1975 have boosted ground and processed beef production from year-earlier levels. On the other hand, there has been a general scarcity of longer-fed, higher-quality fed cattle for slaughter. However, for September, Canada's weekly average slaughter of A grade cattle was 47,083 head, 11 percent above that of September 1974. This increase was closely related to the sharp increase in steer slaughter.

MARKET POSSIBILITIES OCTOBER-DECEMBER 1975

Increased cattle slaughter is in prospect for North America for the remainder of 1975. Slaughter of cows and grass-fed steers and heifers can be expected to rise seasonally. Also, a small increase in fed beef output (feedlot cattle), especially in the U.S., is expected since April-June placements of cattle in feedlots were above the same period in 1974. Furthermore, steer slaughter during January-August 1975 has been low in relation to numbers on farms in both Canada and the U.S. but may be expected to increase this fall from the 1974 fall level.

One of the biggest uncertainties on the supply side is the volume of cows and grass-fed cattle, especially lightweight cattle, that could move to slaughter. Fall pasture conditions, feed grain developments and winter forage supplies are factors that will influence this movement to market, including live cattle exports to the U.S. While cattle slaughter in Canada for the final quarter of 1975 is expected to be about 10 percent above 1974 levels, lighter market weights will continue to temper gains in beef output. The U.S. Department of Agriculture in August estimated that cattle slaughter this fall would average well above year-ago levels, but lighter weights will hold gains in beef output to about six percent.

During the past summer, most of the strength in slaughter cattle prices has been confined to the rise in fed cattle prices (Table 4). The rise in fed cattle prices was due to a general scarcity of fed beef at a time when the demand for high quality beef normally strengthens. Also, pork supplies during the summer were substantially below 1974 summer levels.

TABLE 4. PRICES FOR A1, A2 STEERS AND D4 COWS AT TORONTO AND FEEDER STEERS AT EDMONTON

	TORONTO						EDMONTON		
	A1, A2 Steers			D3 Cows			Feeder Steers (576-750 lbs)		
	1974	1975	Change	1974	1975	Change	1974	1975	Change
	\$/cwt		%	\$/cwt		%	\$/cwt		%
January	51.78	48.45	- 6	31.37	15.33	-51	50.93	34.75	-32
February	50.01	41.58	-18	31.00	17.56	-43	50.13	31.88	-36
March	44.51	39.94	-10	30.57	18.41	-40	46.52	33.96	-27
April	45.88	40.64	-11	31.07	19.03	-39	47.35	33.17	-30
May	47.49	48.70	+ 3	27.80	18.21	-34	48.31	36.45	-25
June	47.91	50.25	+ 5	26.95	19.09	-29	43.90	36.92	-16
July	52.53	49.83	- 5	25.56	15.58	-39	43.35	37.07	-14
August	52.77	47.89	- 9	22.59	16.52	-27	38.09	34.37	-10
September	51.91	50.10 ^{p/}	- 3	20.31	15.80 ^{p/}	-22	34.12	31.20 ^{p/}	- 9
October	49.88			17.40			33.16		
November	53.32			14.87			35.14		
December	50.97			14.07			37.76		
Year	49.37						42.03		

^{p/} Preliminary

Source: Markets Information Section, Agriculture Canada.

For the remainder of 1975, fed cattle prices in Canada can be expected to change in line with U.S. prices. Larger beef supplies this fall will likely force fed cattle prices in North America below the late-September average of \$51 for A1, A2 steers at Toronto and \$49 for Choice steers at Omaha. The U.S. Department of Agriculture recently indicated that fed cattle prices may weaken this fall with Choice steers at Omaha averaging in the mid-\$40 range. On the other hand, a sharp reduction in North American pork supplies and continued low average slaughter cattle weights will have an important supporting influence on fed cattle prices over the next several months.

For the month of September, D4 cows at Toronto averaged nearly \$16 per cwt, over \$3 below the June average and \$4.50 below a year earlier. No substantial change is likely this fall because of the expected heavy slaughter together with a depressed international boneless beef market.

Heavy feeder steer (576-750 pounds) prices at Edmonton in late September 1975, averaged about \$35, up \$7 per cwt. from early September. Prices of light feeder steers (401-575 pounds) at Edmonton averaged about \$28, up \$5 per cwt. Feeder prices this fall will be closely tied to movements in the grain market. The recent rise in feeder prices has narrowed the spread between feeder and fed cattle prices. However, current prices for feeders reflect buyer preference for heavier cattle and unless grain prices drop substantially this preference can be expected to continue through fall and winter.

MARKET PROSPECT FOR 1976

Cattle market prospects for 1976 will depend greatly on feed supply and price developments, and subsequent levels of feedlot placements and cattle marketings.

In Western Canada, the steer-barley ratio at Winnipeg, an indicator of cattle feeding profitability, slipped from 21.8 in early July to 15.9 in mid-August and by late September improved to 18.6. Unlike the conditions that prevailed through the 1960's and early 1970's when feed grains were relatively inexpensive, many cattle producers are increasingly sensitive to price implications of feed grain production, carryover and exports. Cattle feeders have at times sustained large losses through the past two years and will need to see opportunity for excellent profit margins to induce them to greatly expand domestic cattle feeding.

In Eastern Canada, cattle feeding is tied closely to the Ontario corn crop which, this year, is relatively larger and of better quality. While a strong demand for feeder cattle can be expected in Ontario this fall, the cash corn market may be an attractive alternative for some cattle feeders.

In both Canada and the U.S., the record inventory of cattle and calves on farms on July 1, 1975 indicates a potential for heavy slaughter in 1976 (Table 5). However, the possible composition and seasonal pattern of slaughter through 1976 is wide and uncertain.

One of the peculiarities of the current cattle situation in North America is that beef output this fall and next winter will be greatly influenced by the prospective level of feed costs.

The July inventory could permit a sizeable year-to-year increase in feedlot placements in both countries during the next few months. This is likely if feed grain supplies this fall turn out to be large with relatively cheaper costs. Also, there will not be a large inventory of hogs on hand for feeding. Hence, cattle slaughter could show a sizeable increase during the first half of 1976, compared with both the previous year and recent levels. A return to more cattle feeding would increase marketing weights from this Year's abnormally low level, contributing to higher beef output.

TABLE 5. CATTLE INVENTORIES ON FARMS, CANADA AND THE UNITED STATES

	CANADA				UNITED STATES			
	July 1		Change		July 1		Change	
	1974	1975	absolute	%	1974	1975	absolute	%
	- 000 head -			%	- 000 head -			%
Beef Cows	4,295.5	4,375.5	+ 80.0	+2	45,573	46,900	+1,327	+3
Dairy Cows	2,082.1	2,132.5	+ 50.4	+2	11,191	11,149	- 42	+0
Total Cows	6,377.6	6,508.0	+130.4	+2	56,764	58,049	+1,285	+2
Beef Heifers	1,538.1	1,578.7	+ 40.6	+3	7,879	7,345	- 534	-7
Dairy Heifers	521.1	537.5	+ 16.4	+3	3,900	3,932	+ 32	+1
Total Heifers	2,059.2	2,116.2	+ 57.0	+3	19,089 ^{a/}	18,905 ^{a/}	- 184	-1
Steers	1,970.7	2,065.6	+ 94.9	+5	18,358	17,281	-1,077	-6
Calves	4,245.5	4,277.2	+ 31.7	+1	41,873	42,758	+ 885	+2
Bulls	295.0	293.0	- 2.0	-1	2,908	3,063	+ 155	+5
Total Cattle & Calves	14,948.0	15,260.0	+312.0	+2	138,987	140,056	+1,069	+1

^{a/} Includes heifers for slaughter and cow replacements.

Source: Statistics Canada, Ottawa, and U.S.D.A., Washington.

On the other hand, high feed costs would probably keep cattle feeding from expanding and result in a smaller supply of fed cattle in 1976, and a continued heavy slaughter of calves and grass-fed steers and heifers. Regardless of developments in cattle feeding, the level of cow slaughter can be expected to remain high, at least during the first half of 1976.

The demand for beef in North America in the first half of 1976 will be aided by lower pork supplies and expected improvement in general economic conditions. Although the July 1975 inventory of cattle and calves was a record, the year-to-year increases (1974 to 1975) of only two percent in Canada and one percent in the U.S. were the smallest in several years, suggesting that the peak of the cattle inventory cycle is near. The January 1, 1976 inventory of cattle and calves on farms will likely be close to the 1975 level with a small downturn possible in both countries.

BEEF TRADE

Unofficial trade information compiled by Agriculture Canada shows exports to August 1975 down sharply and imports virtually the same. Exports totalled 13.5 million pounds, 52 percent below 1974 and imports 92.6 million pounds, two percent lower. Canada's 1975 export trade in live cattle and calves for beef and veal purposes is sharply below the January-August 1974 level, whereas live imports at about 63 thousand head are about five percent below the 1974 level. The reduction in total dressed and live exports is due to sharply lower exports to the U.S.

SUPPLEMENTARY TABLES

OMAHA, MONTHLY AVERAGE PRICE OF CHOICE STEERS^{a/}, 1971 TO 1975

	1971	1972	1973	1974	1975
	U.S. \$/cwt.				
January	29.10	35.63	40.65	47.14	36.34
February	32.18	36.32	43.54	46.38	34.74
March	31.89	35.17	45.65	42.85	36.08
April	32.41	34.52	45.03	41.53	42.80
May	32.86	35.70	45.74	40.52	49.48
June	32.35	37.91	46.76	37.98	51.82
July	32.44	38.38	47.66	43.72	50.21
August	33.10	35.70	52.94	46.62	
September	32.58	34.69	45.12	41.38	
October	32.22	34.92	41.92	39.64	
November	33.30	33.59	40.14	37.72	
December	34.28	36.85	39.36	37.20	
YEAR	32.39	35.78	44.54	41.89	

^{a/} 900-1,100 lb. effective January 1972.

Source: U.S.D.A., Agriculture Canada.

TORONTO, MONTHLY AVERAGE PRICE OF CANNERS & CUTTERS^{a/} AND D4 COWS, 1971 TO 1975

	1971	1972	1973	1974	1975
	\$/cwt.				
January	16.10	19.64	21.92	31.37	15.33
February	16.00	20.02	25.22	31.00	17.56
March	17.24	21.07	30.80	30.57	18.41
April	18.98	21.17	28.98	31.07	19.03
May	18.80	21.80	30.46	27.80	18.21
June	19.45	22.06	30.99	26.95	19.09
July	20.00	22.79	31.72	25.56	15.58
August	19.38	22.20	35.34	22.59	16.52
September	18.72	21.13	32.12	20.31	
October	17.31	19.97	31.63	17.40	
November	17.01	18.11	28.95	14.87	
December	18.71	20.47	29.48	14.07	
YEAR	17.99	20.70	30.18	23.68	

^{a/} Canners & Cutters, 1971 and 1972.

Source: Markets Information Section, Agriculture Canada.

TORONTO, MONTHLY AVERAGE PRICE OF CHOICE^{a/} AND A1, A2 STEERS, 1971 TO 1975

	1971	1972	1973	1974	1975
	\$/cwt.				
January	32.07	37.33	42.19	51.78	48.45
February	33.77	37.40	43.45	51.01	41.58
March	34.00	37.36	44.77	44.51	39.94
April	34.26	36.53	44.71	45.88	40.64
May	34.09	37.31	45.56	47.49	48.70
June	34.25	38.13	46.75	47.91	50.25
July	34.27	38.12	49.15	52.53	49.83
August	34.46	36.83	57.06	52.77	47.87
September	33.80	35.20	51.31	51.91	
October	34.22	35.40	47.87	49.88	
November	34.31	37.28	46.90	53.32	
December	36.47	38.55	46.51	50.97	
YEAR	34.30	37.19	46.56	49.37	

^{a/} Choice Steers, 1971 and 1972.

Source: Markets Information Section, Agriculture Canada.

EDMONTON, MONTHLY AVERAGE PRICE OF GOOD^{a/} AND 576-750 lb. FEEDER STEERS, 1971 TO 1975

	1971	1972	1973	1974	1975
	\$/cwt.				
January	32.81	36.14	43.10	50.93	34.75
February	32.76	36.40	45.39	50.13	31.88
March	32.00	38.36	46.86	46.42	33.96
April	32.50	39.00	46.18	47.35	33.17
May	33.25	39.21	46.13	48.31	36.45
June	33.39	39.96	49.27	43.90	36.92
July	32.90	40.47	51.57	43.35	37.07
August	33.60	38.36	56.43	38.09	34.37
September	34.46	37.66	53.90	34.12	
October	34.64	37.89	52.75	33.16	
November	35.01	38.69	51.58	35.14	
December	36.58	41.02	47.21	37.76	
YEAR	33.55	38.60	48.98	42.03	

^{a/} Good Feeder Steers, 1971 and 1972.

Source: Markets Information Section, Agriculture Canada.

KANSAS CITY, MONTHLY AVERAGE PRICE OF 600-700 lb. CHOICE FEEDER STEERS, 1971 TO 1975

	1971	1972	1973	1974	1975
	U.S. \$/cwt.				
January	32.20	37.92	47.33	50.58	26.45
February	34.24	38.86	50.98	50.80	26.96
March	34.26	38.64	54.01	44.81	28.75
April	34.46	38.54	51.82	44.15	31.69
May	34.52	40.43	54.44	40.14	35.50
June	34.52	41.94	54.85	35.10	36.81
July	34.36	42.02	56.49	36.88	34.70
August	35.18	42.07	62.40	36.70	34.34
September	34.97	43.29	55.06	30.49	
October	35.64	44.15	51.86	30.94	
November	36.88	43.17	51.02	28.71	
December	37.20	45.77	47.71	28.27	
YEAR	34.87	41.40	53.71	37.88	

Source: U.S.D.A., Washington.

HOG SUMMARY

Hog prices will remain high this fall mainly because of a continued reduction in the North American hog supply. Prices reached a record \$90 a cwt. in Toronto on September 22, 1975, but have since averaged in the \$80 range, \$30 above the average price in Toronto in September of last year.

There could, however, be some weakening of prices as a result of large North American beef supplies, broiler supplies and consumer resistance to current retail pork prices. Nevertheless, hog prices will continue to be high.

Canadian hog slaughter to August 1975 was down 14 percent from the corresponding period of 1974, and the smallest since 1969. This decline reflected the liquidation of breeding stock during 1974, a producer response to low hog prices and high grain prices. The reduction was sharpest in Western Canada with its share of the market dropping from 44 percent in 1974 to 37 in 1975. A considerable proportion of this resulted from the grain market becoming a more profitable alternative for grain producers than feeding hogs.

U.S. hog slaughter up to September 15, 1975 was 15 percent below the corresponding period in 1974 and the lowest since 1966.

A four- to six-percent decrease in hog slaughter seems likely for the first half of 1976 because farrowings in Canada were an estimated eight percent below 1974 levels on July 1, 1975. This reduction is expected to be offset by increases in the second half of 1976, resulting in larger pork supplies than in 1975. Prices in the first half of 1976 should be relatively higher than in 1975, but they should weaken somewhat in the second half as a result of increased supplies.

HOGS

Index 100 hog prices at Toronto soared from an average of \$52.76 per cwt. dressed in April to a record \$84.10 in September. The record one-day high of \$90.00 was reached on September 22. The record prices were due to lower pork supplies, which were down 18 percent in Canada and 25 percent in the U.S. compared to the third quarter of 1974.

1975 SLAUGHTER SHARPLY BELOW 1974

Hog slaughter in Canada through September of this year was down 14.2 percent from the same nine months of 1974 (Table 1) and the lowest since 1969. The West was down 27.6 percent and the East four percent.

TABLE 1. CANADA: ORIGIN OF HOG CARCASSES GRADED BY PROVINCE

	January-September End		Change 1974 - 1975	
	1974	1975	Head	Percent
	- 000 head -		000 head	%
Atlantic Provinces	237.6	222.5	- 15.1	- 6.3
Quebec	1,665.7	1,734.2	+ 68.1	+ 4.1
Ontario	2,092.8	1,881.3	- 211.5	-10.1
TOTAL EAST	3,996.1	3,838.0	- 158.1	- 4.0
% of CANADA	56.6	63.4		
Manitoba	913.8	685.4	- 228.4	-25.0
Saskatchewan	839.9	495.4	- 344.5	-41.0
Alberta	1,261.7	985.9	- 275.8	-21.9
British Columbia	550.5	52.8	+ 2.3	+ 4.6
TOTAL WEST	3,065.9	2,219.5	- 846.4	-27.6
% of CANADA	43.4	36.6		
Canada	7,062.0	6,057.5	-1,004.5	-14.2
United States ^{P/}	57,978.0	49,019.5	-8,958.5	-15.5

^{P/} Preliminary

Source: Markets Information Section, Agriculture Canada.

Hog slaughter in the U.S. began to drop in January 1975, and by the end of September was down about 15 percent from a year earlier, to its lowest level since 1966. Because of lighter average market weights, output of U.S. carcass pork is down about 17 percent.

The sharp reduction in pork output in 1975 in North America largely reflects the liquidation of breeding stock during 1974 when returns to producers were squeezed. The drop in Canada's production was considerably more pronounced in Western Canada where the cash grain market became a more profitable alternative for many hog-feed grain producers. As a result, Western Canada's share of national hog slaughter for the January-September period slipped from 43.4 percent in 1974 to 36.6 percent in 1975.

FALL SLAUGHTER TO REMAIN LOW

Reflecting the seasonal pattern of sow farrowing, hog slaughter usually increases in the fall from summer lows.

Hog slaughter (gradings) in Canada for the last quarter of 1975 is projected to average about 10 to 12 percent below the last quarter of 1974. (For details see "Quarterly Forecast of Hog Marketings" on page 21). A decrease of 11 percent would show slaughter averaging 151,000 head weekly, compared with 169,800 head in the fourth quarter of 1974, and about 137,200 head in the third quarter of 1975. In the U.S., market analysts have recently indicated that the usual seasonal increase in fall slaughter from the summer low is likely to be relatively small. During the third quarter of this year, inspected hog slaughter in the U.S. was more than 20 percent below July-September 1974. Most of the hogs slaughtered during October-December this year will be pigs in the September 1 inventory weighing 120 to 179 pounds, down 20 percent from September 1, 1974. If U.S. fourth quarter slaughter is reduced as much as suggested by the September 1 inventory of pigs 120-179 pounds, it may be only slightly larger than the summer level.

FALL HOG PRICES TO REMAIN HIGH

Hog prices in North America increased dramatically from May to September this year. September prices of index 100 hogs at Toronto averaged about \$84.10 per cwt. dressed, while at the seven U.S. markets barrows and gilts averaged about \$78.50 per cwt. dressed (Table 2).

The expected sharp reduction in the pork supply this fall should assure a continuation of relatively high prices for the balance of the year. (Also, pork stocks in storage on September 1, 1975 were 19.1 million pounds, 40 percent below September 1974). On the other hand, a probable increase in North American beef output and increased broiler supplies, especially in the U.S., are other factors that could place some downward pressure on North American hog prices. However, significant reductions in prices this fall seem unlikely.

TABLE 2. TORONTO, MONTHLY AVERAGE PRICE FOR INDEX 100 HOGS; SEVEN U.S. MARKETS
AVERAGE PRICE FOR ALL BARROWS AND GILTS, 1973-1975.

	Index 100 Toronto			Barrows & Gilts Seven U.S. Markets ^{a/}			Toronto over Seven U.S. Markets		
	1973	1974	1975	1973	1974	1975	1973	1974	1975
	Can. \$/cwt. dressed			U.S. \$/cwt. dressed			\$/cwt.		
January	45.76	53.69	56.87	42.26	52.71	50.56	3.50	0.98	6.31
February	49.64	51.81	57.57	47.05	51.60	51.44	2.59	0.21	6.13
March	52.69	46.84	53.01	49.52	45.30	51.32	3.17	1.54	1.69
April	47.50	43.63	52.76	46.18	39.64	52.84	1.32	3.99	-0.08
May	48.93	40.60	61.28	47.21	33.88	60.31	1.72	6.72	0.97
June	50.50	42.51	69.50	50.06	35.58	66.48	0.44	6.93	3.02
July	59.69	48.32	77.20	60.57	47.16	74.25	-0.88	1.16	2.95
August	68.35	54.32	77.83	73.61	48.92	75.45	-5.26	5.40	2.38
September	62.44	56.36	84.10 ^{p/}	56.87	46.48	78.60 ^{p/}	5.57	9.88	5.44
October	58.74	55.92	-	54.70	50.52	-	4.04	5.40	-
November	57.41	55.11	-	53.21	49.79	-	4.20	5.32	-
December	57.08	57.47	-	51.68	51.86	-	5.40	5.61	-
Year	54.66	50.29	-	52.30	45.61	-	2.36	4.68	-

^{a/} Conversion rate of 77 percent for the U.S. live price to the dressed price.

^{p/} Preliminary.

In the U.S. barrows and gilts at the seven markets in late September were selling at about \$63 per cwt. live (\$81.80 dressed). Several U.S. market analysts look for hog prices in the U.S. to weaken slightly during the fourth quarter and average in the upper-\$50 range (about \$74 per cwt. dressed). With the removal of border controls on beef and pork, Canadian hog prices can be expected to change in line with U.S. prices. Provided U.S. price predictions come about, prices at Toronto this fall for index 100 hogs may be expected to weaken moderately and average between \$75 and \$80.

MARKET POSSIBILITIES FOR 1976

While considerable uncertainty exists about the 1976 North American pork supply, a decrease in hog slaughter from year-earlier levels seems assured for the first half of the year, with the general price outlook quite favorable.

Hog slaughter in the first half of 1976 will be largely determined by farrowings in the latter half of 1975. In Canada, sows expected to farrow during the July-December period of 1975 were estimated by Statistics Canada on July 1 this year to be down eight percent from the same period in 1974. In the U.S., sows expected to farrow during the June-November 1975 period were estimated by the U.S.D.A. on September 1 to be down 11 percent from a year earlier. However, farrowing intentions for the December 1975-February 1976 period in the U.S. show an increase of six percent from the corresponding period a year earlier. Thus, the September 1 Hogs and Pigs report indicates a trend towards increased U.S. hog production.

The recent pattern of response by Canadian hog producers has changed somewhat in relation to past production response patterns. Some of the production decisions for this fall's farrowings (July-December) were made during the spring before hog prices moved sharply higher. In both Canada and the U.S. the hog-feed price ratio reached a peak in July, declined in August but increased again in September (Table 3).

TABLE 3. CANADA: HOG-BARLEY PRICE RATIO; U.S.: HOG-CORN PRICE RATIO

	Hog-Corn Price Ratio (Omaha) ^{a/}			Hog-Barley Price Ratio (Winnipeg) ^{b/}		
	1973	1974	1975	1973	1974	1975
January	21.5	14.8	12.6	22.8	15.6	13.9
February	23.3	13.4	14.6	25.6	14.3	16.0
March	25.4	12.5	14.3	26.6	12.9	15.5
April	23.4	12.1	14.1	23.9	11.7	16.1
May	19.5	10.2	16.4	20.9	11.5	18.8
June	16.9	10.0	17.9	18.5	13.1	22.1
July	19.9	11.2	19.5	18.9	12.6	24.4
August	20.8	10.5	18.5	20.8	12.3	21.7
September	18.4	10.3	20.2 ^{p/}	20.8	14.2	23.0 ^{p/}
October	17.8	10.6	-	20.5	13.3	-
November	16.9	11.0	-	19.2	13.1	-
December	15.7	11.8	-	17.8	14.0	-
Year	19.3	11.6	-	21.5	13.2	-

^{a/} The number of bushels of No. 2 corn equivalent in value to the price of 100 pounds of barrows and gilts live.

^{b/} The number of bushels of No. 1 feed barley equivalent in value to the price of 100 pounds of Index 100 hogs live.

^{p/} Preliminary.

The fluctuations in hog-feed price ratios during this past summer were caused largely by variations in feed costs. The price of No. 1 feed barley at Winnipeg rose from about \$2.30 per bushel in early July to \$2.90 in mid-August, but by late September had weakened to about \$2.43. At Chicago, corn prices have followed a similar pattern, rising from \$2.80 in early July to about \$3.10 in mid-August and by late September dropping to about \$2.95.

In Canada, the hog-barley price ratio during the past summer was the highest since the winter of 1973. Improved profit conditions during the past summer, sharply higher feeder pig prices, and a strong demand for breeding stock may mean that farrowings in Canada during late 1975 may equal or exceed the year-earlier level. Another factor supporting the view that there were efforts to withhold sows for breeding in both Canada and the U.S. was the level of sow slaughter during the past summer (Table 4).

TABLE 4. SOW-HOG SLAUGHTER RATIO^{a/} UNDER FEDERAL INSPECTION

	Canada			U.S.A.		
	1973	1974	1975	1973	1974	1975
January	1:33.4	1:35.4	1:33.4	1:16.2	1:16.8	1:18.4
February	1:39.5	1:34.8	1:37.7	1:19.2	1:18.1	1:22.4
March	1:41.3	1:36.2	1:41.6	1:21.8	1:22.1	1:23.5
April	1:43.8	1:40.1	1:43.5	1:20.9	1:20.4	1:20.1
May	1:42.9	1:36.5	1:43.5	1:19.6	1:18.3	1:20.8
June	1:33.8	1:40.2	1:42.7	1:18.2	1:15.4	1:16.3
July	1:28.5	1:37.4	1:40.6	1:12.6	1:11.5	1:14.6
August	1:29.5	1:26.4	1:40.3	1:13.8	1:10.2	1:15.3
September	1:27.8	1:27.4	1:41.2	1:16.4	1:11.2	-
October	1:27.4	1:25.9	-	1:20.2	1:13.1	-
November	1:25.1	1:25.0	-	1:16.1	1:12.6	-
December	1:30.4	1:29.3	-	1:15.1	1:13.8	-
Year	1:32.7	1:32.1	-	1:17.2	1:14.5	-

^{a/} The number of hogs slaughtered for each sow slaughtered.

On balance, hog slaughter in Canada in the first half of 1976 can be expected to be down probably four to six percent from the 1975 first-half level, with most of the decrease occurring in the first quarter. If fall farrowings in the U.S. are realized (estimated to be down 11 percent on September 1, 1975), a sizeable reduction in U.S. hog slaughter may be expected during the first half of 1976 especially during the first quarter. In both countries increases in the second half of 1976 may be expected to offset reductions in the first half, resulting in slightly larger total pork supplies in 1976 compared with 1975.

Hog prices in North America will continue strong, at least until the late summer of 1976. With slaughter in 1976 expected to rise during the year, hog prices will tend to weaken from quarter to quarter. During the first half of 1976, index 100 hog prices at Toronto can be expected to average above the 1975 first-half average of \$58.50. For the last half, prices can be expected to average below the very high 1975 last-half average. It now appears that by 1977, the North American hog cycle will be characterized by larger pork supplies and lower hog prices compared with 1976.

PORK TRADE

In terms of dollar value, Canada has maintained a net export position in dressed pork trade with all countries to the end of July 1975 (Table 5). In trade with the U.S., Canada became a net importer in 1974 and this trend has continued through to the end of July 1975.

To the end of July 1975, Canada's pork exports to Japan accounted for 63 percent of total pork exports in pounds and 69 percent of total pork export value. This compares with 23 and 28 percent respectively in 1974 January-July period.

TABLE 5. EXPORTS AND IMPORTS OF PORK^{a/}, FRESH, FROZEN, PROCESSED, CANNED
JANUARY TO JULY END.

		EXPORTS			IMPORTS			
		1974	1975	% Change	1974	1975	% Change	
U.S.	000 lb.	29,552	16,857	- 43	U.S.	19,749	54,508	+176
	000 \$	20,143	14,808	- 26		11,016	40,267	+266
Japan	000 lb.	11,438	33,116	+190	Denmark	2,822	281	- 90
	000 \$	10,339	37,250	+260		1,674	190	- 89
Others	000 lb.	8,627	2,284	- 74	Others	1,502	1,364	- 9
	000 \$	6,052	1,774	- 71		1,291	1,244	- 4
TOTAL	000 lb.	49,617	52,257	+ 5	TOTAL	24,073	56,153	+133
	000 \$	36,534	53,832	+ 47		13,981	41,701	+198

^{a/} Excludes Export Category "Fancy Meats Pork, Fresh or Frozen", which during January-June 1974 totalled 25.3 million pounds at \$7.2 million and in 1975 23.5 million pounds at \$5.4 million.

Source: Trade of Canada, Statistics Canada.

QUARTERLY FORECAST OF HOG MARKETINGS

This forecast of hog slaughter at inspected and approved plants is based upon past relationships between the Statistics Canada estimates of hog numbers and farrowing intentions, and subsequent hog gradings.

ACTUAL MARKETINGS FOR THE PERIOD JUNE 29 TO SEPTEMBER 27, 1974 AND 1975

Province or Region	Actual 1974		Actual 1975		% change from preceding year
	3 Months Total	Ave. per week	3 Months Total	Ave. per week	
- thousand head -					
Maritimes	71.2	5.9	70.4	5.4	- 1
Quebec	533.2	41.0	537.7	41.4	+ 1
Ontario	640.9	49.3	562.9	43.3	-12
TOTAL EAST	1,245.3	95.8	1,171.0	90.1	- 6
Manitoba	288.9	22.2	185.5	14.3	-36
Saskatchewan	218.0	16.8	132.1	10.2	-39
Alberta	406.3	31.2	278.5	21.4	-31
British Columbia	17.8	1.4	16.7	1.2	- 6
TOTAL WEST	931.0	71.6	612.8	47.1	-34
C A N A D A	2,176.3	167.4	1,783.8	137.2	-18

ACTUAL MARKETINGS FOR THE PERIOD SEPTEMBER 28 TO DECEMBER 27, 1974

ESTIMATED MARKETINGS FOR THE PERIOD SEPTEMBER 28 TO DECEMBER 27, 1975

Province or Region	Actual 1974		Estimated 1975		% change from preceding year
	3 Months Total	Ave. per week	3 Months Total	Ave. per week	
- thousand head -					
Maritimes	71.5	5.5	74.4	5.7	+ 4
Quebec	612.7	47.2	594.3	45.7	- 3
Ontario	675.2	51.9	627.9	48.3	- 7
TOTAL EAST	1,359.4	104.6	1,296.6	99.7	- 5
Manitoba	274.5	21.1	219.6	16.9	-20
Saskatchewan	188.7	14.5	143.4	11.1	-24
Alberta	365.1	28.1	284.8	21.9	-22
British Columbia	19.8	1.5	18.6	1.4	- 6
TOTAL WEST	848.1	65.2	666.4	51.3	-21
C A N A D A	2,207.5	169.8	1,963.0	151.0	-11

ACTUAL MARKETINGS FOR THE PERIOD DECEMBER 28, 1974 TO JUNE END, 1975

ESTIMATED MARKETINGS FOR THE PERIOD DECEMBER 28, 1975 TO JUNE END, 1976

Province or Region	Actual 1975		Estimated 1976		% change from preceding year
	6 Months Total	Ave. per week	6 Months Total	Ave. per week	
- thousand head -					
Maritimes	152.1	5.9	162.8	6.3	+ 7
Quebec	1,196.4	46.0	1,172.5	45.1	- 2
Ontario	1,318.4	50.7	1,358.0	52.2	+ 3
TOTAL EAST	2,666.9	102.6	2,693.3	103.6	+ 1
Manitoba	500.0	19.2	430.0	16.5	-14
Saskatchewan	363.2	14.0	301.5	11.6	-17
Alberta	707.5	27.2	608.4	23.4	-14
British Columbia	36.1	1.4	39.0	1.5	+ 8
TOTAL WEST	1,606.8	61.8	1,378.9	53.0	-14
C A N A D A	4,273.7	164.4	4,072.2	156.6	- 5

APPENDIX

AMENDMENTS TO AGRICULTURAL STABILIZATION ACT

On July 30, 1975, Royal Assent was given to Bill C-50, An Act to Amend the Agricultural Stabilization Act (1958), after several months of intense debate by parliamentarians, provinces, producer groups and producers alike. This debate continues to a major extent since the specific programs for each of the named commodities have yet to be announced. As well, provincial government programs of a markedly different character have been emerging in the past three years.

To identify and examine some of the outstanding issues in stabilization, some perspective of history and agricultural policy must be taken. This note discusses the operation of the Agricultural Stabilization Act (1958), why modifications in this Act were needed and the extent of the changes introduced in the amended Act. Concluding this note is a brief presentation and discussion of the outstanding issues in applying the Agricultural Stabilization Act (1975).

Legislation regarding price intervention and support for agricultural commodities began during the 1940's. Strong demand for agricultural products through the early 1950's, followed by an easing of demand in the mid-to-late 1950's led to pressure for up-dated and stronger legislation. In January 1958, the Agricultural Stabilization Act (1958) was passed; an indication of support for the Act was the low level of debate it produced in the agricultural community and the fact that it received first, second and third readings in the House of Commons as well as Royal Assent in less than 10 calendar days.

The 1958 Act provided for mandatory support through market intervention or deficiency payments for nine named commodities at a minimum of 80 percent of the average price received by farmers over the preceding 10 years. Other agricultural commodities could be "designated" for support from time to time by the Agricultural Stabilization Board with approval of the Governor in Council. In all, some thirty-five commodities have received support from 1958 to 1975. Federal expenditures under the authority of the 1958 Act rose to \$143 million in 1973-1974 and \$267 million in 1974-1975. By far the largest share of these monies has gone to the support of dairy products such as butter, cheese, cream, industrial milk and skim milk powder; in recent years support for these products exceeded 95 percent of expenditures under the Act (1958).

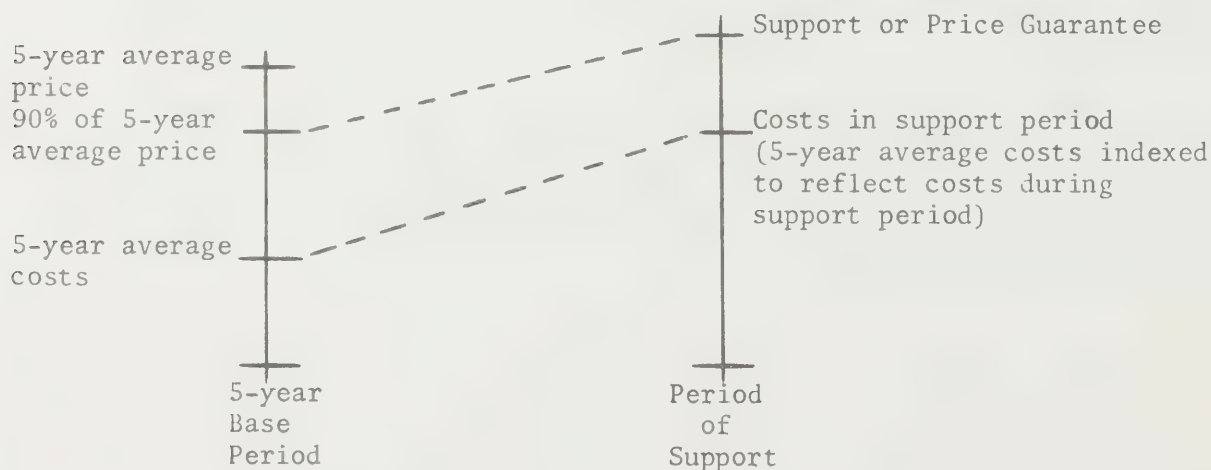
Throughout the 1960's, prices of agricultural commodities and inputs remained relatively stable. Very rarely was support granted to a named commodity (excluding butter and cheese) at the minimum support level of 80 percent of the preceding 10 year average of prices; support levels for the named commodities typically were higher than 80 percent, and in the early 1970's support levels in a few instances were well over 120 percent.

By the end of the 1960's and early 1970's, major changes in relative product and input prices were occurring. The change in U.S. government agricultural policy to generally lower grain stocks and a return to a more market-oriented determination of prices, acreages and trade in grains, combined with wider annual fluctuations in international demand for grains, higher energy costs and growing inflation in North America led to recognition that a program of support in Canada for agricultural commodities must include recognition of the input costs as well as product prices faced by Canadian agricultural producers. Within the federal government, discussions regarding modification of the Act began in 1972-1973 and culminated in the passage of Bill C-50 in mid-1975.

The Agricultural Stabilization Act (1975) contains several major changes from the 1958 Act. These major changes are:

- (a) a decrease in the base period from 10 years to five years;
- (b) an increase in the minimum support level from 80 percent to 90 percent of the historical base period;
- (c) the indexing of production costs to reflect the actual cost situation during the period of support;
- (d) a change in the named commodities - deleting eggs, butter, cheese, and wheat outside the Canadian Wheat Board designated area, and the addition of corn, soybeans, industrial milk and industrial cream. Cattle, hogs, sheep and oats and barley outside the Canadian Wheat Board designated area remain as named commodities; and,
- (e) the provision for the federal government to enter into joint stabilization programs with provincial governments and producer groups.

Taken together, the first three of these changes represent a fundamentally different approach to stabilization than in the old Act. A diagram helps to explain the new approach.



Under the 1958 Act, the minimum level of support was 80 percent of the five-year average price (the vertical line on the left). Under the new Act, a determination of costs in the current support period is made. In some cases, input costs are easily projected through the coming year, while in other cases, use of an index to adjust known costs during a few preceding years is more appropriate. It must be recognized that it is expected costs during the period of the stabilization program that form the basis of the support, and not the costs of some historical period. To these current costs is added the difference between 90 percent of the five-year average price and the five-year average costs to obtain the support level. This added amount (margin) represents a return to management and other inputs owned by producers provided through the market place during the base period.

A major issue in implementing the new Act is the determination of which production costs to include for indexing, and which should remain to be covered in the margin. At issue is the extent to which the non-cash costs are included for indexing. A significant problem exists in including such items as land. By including a land cost in the indexed costs, an effective guarantee of land value is given. With such a guarantee, land values rise over time, in turn raising the indexed costs, and in turn again raising land values. The upward spiral in land values is then well underway, supported by a stabilization program.

Another major issue arises in the requirements in the Act for uniformity of programs and regionalized programs across Canada under both federal and provincial governments. Allied with uniformity is the issue of joint programs between the federal and provincial governments. Of substance in this issue is that while the federal government recognizes in the Act the capability of provinces to implement stabilization and other commodity-specific programs, the federal government's role in trade matters must be preserved. Even though the amendments to the Agricultural Stabilization Act have been passed, significant decisions have yet to be made in establishing the role and effectiveness of stabilization policy in Canada.

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